



## **Credit Unions Limited Life An interview with David Dinning**

"Credit unions in Australia have a limited life." says David Dinning in an interview with australia.coop.

"They will either become larger and corporatise or be taken over by other financial institutions,"

David has been involved in senior managerial roles with credit unions since the 1970's to 2000 and is currently an independent director of the Co-operative Federation of Victoria Ltd and a member of the credit union MECA Ltd.

"When I first became involved with credit unions in the 1960's were true co-operates operating with a co-operative spirit. The question at the time was: How many credit unions have been formed this week?"

He said that beginning in the 1980's as credit unions became bigger they needed to professionalise their management and they did need more expertise with financial qualifications.

"But," he said, "the boards allowed themselves to be intimidated by the new professional managers. Unless managers were co-operative-driven, this lead to a change of focus – away from the co-operation structure and purpose to products."

"I blame the boards of the credit unions. The job of the boards is to maintain co-operative philosophy and ethos. This is not the job of managers."

"Increasingly, however, the strategic direction of credit unions was being driven by managers and not the boards. Managers are financial experts – they are not being paid to protect co-operative values and principles."

"Credit unions have increasingly focused on product. Instead of promoting their structure differences, they are promoting product differences. The shareholders are treated as customers instead of members. They have found it easier to concentrate on a product rather than structure difference."

"They are not promoting structural differentiation – how they are uniquely different financial institutions. They should be differentiating how they are not-for-profit democratic member-owned financial institutions based on co-operative values and principles."

"Credit unions have fallen for the trap of promoting a better and different product – rather than a different and better structure."

"Credit unions cannot ultimately compete on product differentiation. They are too small and do not have the resources to compete."

"Most managers of credit unions today are not keen on democracy and, indeed, they are not interested in debate at AGMs. They don't want the opportunity for members to review the operations of credit unions."

"This management dominance has worsened with the peak body, CUSCAL, being essentially run by a board of managers from the large co-operatives. After all, they have the resources to attend board and committee meetings."

In the early 1990's Australian credit unions made a strategic mistake – agreeing to allow credit unions to come under financial institutions legislation – instead of co-operative legislation. I am not aware of any credit unions in any other country not being under co-operative legislation where prudential standards are enforced but the co-operative structure is recognised and protected."

"The focus in Australia has been on the level playing field – being equal players with other financial institutions. But, credit unions are not equal players. Even the large credit unions are small compared with other financial institutions."

"Credit unions should have focussed on strengthening member ownership and control and rewarding members for their membership. This is difficult now because credit unions do not have the protection of co-operative legislation."

"Under financial institutions legislation, credit unions are being driven by the dead hand of bureaucracy. Legislators and regulators are not interested in credit unions and, indeed, in keeping them alive. Instead, the focus is on the consolidation of large credit unions and the absorption of medium-sized and small credit unions."

David says that public companies now have more checks and balances than credit unions. "At least the public companies have external shareholder groups and media analysts who monitor financial and managerial performance."

"It has got the point where the question is: Why remain a member of a credit union?"

"The choice being promoted by the credit unions is about poroduct and service – not member ownership and control."

David Dinning first became a member of a credit union in 1960. Between 1969 and 1974 he was Manager of the ABC Credit Union in Queensland. Between 1974 and 1981 he was manager of the South Australian Association of Credit Unions. Between 1981 and 1988 he was General Manager of the Victorian Association of Credit Unions. Between 1989 and 1993 he worked as a Credit Union Adviser foir the World Council of Credit Unions based in Nairobi, Kenya. Between 1994 and 1998 he was Chief Operating Officer for the World Council of Trade Unions.